Government of Saskatchewan

Annual Report

2002

Saskatchewan
Milk
Control
Board

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Government of Saskatchewan

Annual Report

2002

Saskatchewan Milk Control Board

SIXTY-EIGHTH ANNUAL REPORT

FOR THE TWELVE MONTHS

ENDED DECEMBER 31, 2002

SASKATCHEWAN MILK CONTROL BOARD

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SASKATCHEWAN MILK CONTROL BOARD

Honourable Lorne Calvert
President of the Executive Council
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Sixty-Eighth Annual Report of the Saskatchewan Milk Control Board, together with the financial statements for the year ended December 31, 2002, pursuant to the Provisions of Section 27 of *The Milk Control Act, 1992.*

Respectfully submitted,

THE MILK CONTROL BOARD

Shelley Slykhuis
Chairperson

SASKATCHEWAN MILK CONTROL BOARD

BOARD MEMBERS

The Board is comprised of five members appointed by the Lieutenant Governor-in-Council. The Board members are:

CHAIRPERSON

Mrs. Shelley Slykhuis, Carlyle

MEMBERS

Mr. Leonard Blocka, Prince Albert
Dr. David Christensen, Saskatoon
Mr. Henry Friesen, Langham
Mrs. Lee Ann Tessier, Birch Hills

OBJECTIVES AND ORGANIZATION

The Milk Control Board is a body corporate established pursuant to *The Milk Control Act, 1992*. The Board plays a key role in the establishment and administration of Saskatchewan's dairy policy. It works closely with producers, processors and government agencies to develop policies which provide efficient producers of milk the opportunity to obtain a fair return for their labour and investment, while providing consumers with an adequate supply of high quality dairy products at a reasonable price. The Act empowers the Board to make regulations or orders relating to the production, supply, pricing or sale of milk and to inquire into or conduct hearings pertaining to any of the foregoing. The Act also allows the Board to enter into contracts and other agreements that the Board considers appropriate to carry out its responsibilities.

The Board works closely with the dairy industry and strives to balance and serve the interests of all dairy stakeholders--producers, processors, consumers and government. The Board provides an administrative vehicle for Saskatchewan's participation in the federal/provincial Milk Marketing Plan and Western Milk Pooling Agreement.

Over the past sixty-eight years, the policies and regulations advanced by the Milk Control Board have become increasingly complex. During this same period, the dairy industry has experienced major rationalization and centralization of processing activity within Saskatchewan.

INTRODUCTION

The Canadian Dairy Industry continued to adapt to changing market circumstances throughout the year under review. After aggressive expansion in response to strong market demand, production adjustments were required to more closely align milk supply with market requirements. While the demand for most milk products continued to grow in 2002, the rate of increase was lower than in recent years. As a result, Saskatchewan and other Canadian producers experienced only moderate increases in quota allocation in order for the domestic system to balance supply with demand.

The Milk Control Board also participated in a number of policy and program changes in response to regional, national and international developments.

At the regional level, a significant development was the purchase of Agrifoods International Cooperative Ltd. (a producer owned cooperative) by Saputo Inc. in 2001. The adjustments made thereafter to adapt to this new processor environment are outlined in the section on Board Activities.

At the national level, the Canadian Milk Supply Management Committee continued to develop and introduce changes to the domestic supply management system in order to improve the production discipline required to balance supply with demand in the domestic market. Most significant among these policy changes was the implementation of the Residual Milk Policy to bring discipline to provinces or regions which produce beyond 101% of their provincial Market Share Quota.

At the international level, the Board joined with other provincial Boards, Dairy Farmers of Canada and the Federal Government to defend against yet another challenge by the United States and New Zealand that Canada was still subsidizing dairy exports in spite of the complete separation of the domestic market system from any commercial export activity.

In May, 2002 the WTO Compliance Panel ruled that Canada had not met its obligations to eliminate subsidies on exports beyond its allowable limits, claiming that the higher domestic prices afforded a subsidy to processors marketing export dairy products. Canada immediately appealed the Compliance Panel interpretation of WTO export subsidy provisions as they applied to Canadian dairy exports. In December, 2002, the WTO Appellate ruled that Canada's separation of the export from the domestic market through the creation of Commercial Export Mechanism (CEM)

was not in compliance with the WTO export subsidy definitions when applying the new benchmark for determining the existence of export subsidies - whether or not milk was provided to processors for export at prices below average total cost of production.

Board members are cognizant of the concerns of Saskatchewan producers and processors regarding the significant impact being imposed on the Canadian dairy industry from the WTO decision as well as from other domestic sources. Appropriate adjustments will be made within the provincial and national supply management system to be in compliance with the most recent WTO ruling.

The Board continued to ensure representation and input from all sectors of Saskatchewan's dairy industry in its decision-making processes through the Dairy Industry Advisory Committee. The Board members and Advisory Committee devoted considerable time during the past year to analysis of the implications of various forces on the national, regional and provincial industries and the development of alternative strategies which will maintain and promote a strong, viable dairy industry in Saskatchewan.

Since change is inevitable, the Board has sought to manage the changes within its jurisdiction to optimize the benefits to the Saskatchewan dairy industry and its consumers.

MILK PRODUCTION AND UTILIZATION

There are two marketing structures for milk in Canada. The federal government's authority to regulate the marketing of fluid milk is delegated to the provinces. The Canadian Dairy Commission, a federal crown corporation, collaborates with the provinces in the administration of the supply management system for industrial milk.

Each province in Canada regulates the production and manufacturing of milk within its own borders and sets pricing procedure, quota policies and other regulations. Marketing activities related to industrial milk which was manufactured into products that were shipped across provincial boundaries, were carried out according to the terms and conditions of a federal-provincial agreement, the National Milk Marketing Plan.

The year under review saw an increase in milk marketed by Saskatchewan milk producers. Producers shipped 216,382,234 kilograms of milk to the fluid milk pool in 2002. This represented an increase of 1.5 million kilograms, or a 0.72 percent increase from the previous year (Table III).

Producers received a total value of $132,003,682.98 in 2002, which represented a 6.20 percent increase from 2001.

The average number of milk producers decreased 6.78 percent from 345 in 2001 to 322 in 2002. The average daily shipment per producer increased from 1,705 to 1,842 kilograms per day, an increase of 8.04 percent (Table III). Although the total milk production increased, Class 1 milk, or milk processed in Saskatchewan for fluid consumption decreased and accounted for 80,772,572 kilograms of milk in 2002, a decrease of 782,501 kilograms or 0.96 percent compared to 2001. This decrease in fluid milk processing was more than offset by an increase in industrial milk processing within Saskatchewan, and reflects the realignment of milk processing within the Western Region under the Western Milk Pooling Agreement. Industrial milk sold and processed in Saskatchewan was supplemented by additional supplies from the adjoining provinces to meet all product manufacturing needs.

The Canadian dairy industry operates on butterfat quotas and on a "dairy year" basis which runs from August 1 to July 31 of the following year. In Saskatchewan, producers shipped a total of 7,690,069 kilograms of butterfat during the 2001-2002 dairy year (Table IV), representing a utilization of approximately 101.5 percent of the provincial yearly quota allotment. The average butterfat test on all milk was 3.54 percent per hundred kilograms, a slight decrease from the 3.61 percent average from the previous year.

In August 2002, the Board allocated all of the province's total yearly milk quota to milk producers. Based on production levels from August 1, 2002 to December 31, 2002 and quota allocated to producers, the Board determined that the province's total yearly butterfat quota allotment of 7,671,142 kilograms of butterfat would be fully utilized by approved milk producers during the 2002-2003 dairy year.

PRODUCER POOLS

The Saskatchewan fluid milk pool successfully completed its twenty-seventh year of operation.

The Board maintained a single milk pool system for both fluid and industrial milk. Under pooling, the Board has the responsibility for purchasing all milk from registered milk producers and selling it to the processors. Each producer was allocated a quota based on Saskatchewan's quota policy and designed to meet the province's quota needs.

SASKATCHEWAN MILK CONTROL BOARD

Multiple Component Pricing (M.C.P.) was implemented in Saskatchewan on August 1, 1999. This decision was in keeping with commitments made by Saskatchewan when the Western Milk Pooling Agreement was signed in 1997. With M.C.P. there should be greater equity among producers and processors. Also, because of the increased trend to low-fat dairy products, there is a need to place new emphasis on protein and other milk solids. Under M.C.P. producers receive the true value of the total solids in the milk they supply and processors pay according to the components they receive. For example, more protein in the milk enables processors to obtain a higher cheese yield and therefore price the milk accordingly.

Under the new payment system, producers recognize that protein and other solids are being valued and it is expected that protein will continue to increase in value in relation to butterfat. Overall, M.C.P. should provide a mechanism for the dairy industry to be more market responsive as the demand for various components continues to evolve in the future.

In 2002, the price of Class 1 milk was increased by $1.96 per hectolitre on January 1, $0.98 on April 1, $0.98 on August 1, and by $1.96 on December 1st. These four milk price increases raised producer returns on Class 1 milk from $66.75 to $73.03 per hectolitre. The price increases were triggered by the Alberta pricing formula, the pricing mechanism agreed to by the provinces participating in the Western Milk Pool. Each price increase was due primarily to higher feed and energy costs.

At the Federal level, the Industrial Target Return Formula price (Classes 2 to 5) was increased on one occasion, February 1, 2002. As of this date, the support price for skim milk powder increased from $4.8394 to $4.9858 per kilogram, and for butter from $5.7261 to $5.9011 per kilogram. The following increases were included in the support price calculations: $0.85 per hectolitre market adjustment to producers for the reduction in dairy subsidy effective February 1, 2002, and a reduction in the federal consumer subsidy by $0.85 per hectolitre. This latter adjustment will be recovered from the marketplace and passed on to producers. There was no change to the assumed processor margin as a result of this decision.

In August 1995, dairy stakeholders implemented Special Class milk pricing and pooling. This has been designed to better accommodate the dairy industry and the World Trade Organization. This allowed dairy processors and other food processors to remain competitive on domestic and global markets.

This pooling system is administered by the Canadian Dairy Commission

and provides milk to food manufacturing processors and exporters at competitive prices. Returns for the milk sold as Special Class milk are pooled among all dairy producers in the ten provinces which are signatories to the National Milk Marketing Plan.

Under the second pooling arrangement, known as the Western Milk Pool, the revenue from all milk sales (fluid and industrial) is pooled among the producers of British Columbia, Alberta, Saskatchewan and Manitoba. The agreement generates new opportunities, new challenges, and greater flexibility for processors in the four western provinces. It ensures producers a more predictable and stable environment and allows processors to rationalize their plants to improve efficiency and competitiveness.

During 2001, the Western Milk Pool Coordinating Committee took steps to further improve the operations of the Agreement by harmonizing Class 2-4 prices across the region. This measure, taken to further "level the competitive playing field", came into effect on February 1, 2002.

The distribution of dairy units and average quota allocation are presented in Table I.

TABLE I (Unaudited)

FARM TYPE AND QUOTA ALLOTMENT, 2001 & 2002 (AUG. 1)

	2001 Daily Quota		2002 Daily Quota	
	Number	wt. Ave. (kg b.f.)	Number	wt. Ave. (kg b.f.)
Single Proprietor	149	40.94	130	41.71
Limited Company	65	96.64	66	101.52
Colony	50	78.35	51	79.53
Partnership	75	60.45	75	60.92
Total	339	61.57	322	64.44

MARKETING AND TRANSPORTATION

At year-end, the Board marketed milk to two Saskatchewan processing plants: one combination (fluid/industrial), and one industrial milk plant located in Saskatchewan.

Agrifoods International Cooperative Ltd. continued to serve as agent of the Board for the transportation of all milk produced in the province. This organization continued to restructure raw milk pick up to increase efficiency. The average basic rate increased during 2002 (Table II). In 2002, the cost to transport the 216,382,234 kilograms of milk marketed

amounted to $4,811,276.57, or an average of $2.22 per hundred kilograms, compared to $2.03 per hundred kilograms the year previous. Under the regulations of the pool, producers were charged haulage to the nearest milk processing plant that existed when the dairy enterprise was established.

In response to plant closures, the Board and industry stakeholders agreed that when a milk producer is affected by a plant closure, the following would apply:

1) Any producer whose trucking rate is greater than the provincial average would continue to have his monthly trucking calculated on the same distance factor as if the plant had not closed.

2) Any producer in the affected area whose trucking rate was below the provincial average would have his rate increased one year later to the provincial monthly average for the preceding months.

The transportation cost comparison is presented in Table II.

TABLE II (Unaudited)

TRANSPORTATION VOLUMES AND RATES, 1992- 2002

Year	Volume Transported (kg)	Average Rate $/Per 100 kilograms
2002	216,382,234	2.22
2001	214,843,080	2.03
2000	214,379,921	1.93
1999	210,369,201	1.95
1998	208,339,287	1.95
1997	212,147,426	2.17
1996	202,916,979	2.16
1995	210,811,203	2.14
1994	205,056,638	2.09
1993	201,186,781	2.07
1992	210,966,378	2.07

The Board acknowledges and appreciates the commitment of bulk milk transporters in achieving an efficient transportation system.

MILK CONTROL BOARD ACTIVITIES

The Board members strive to accommodate the interests of producers, processors and consumers as well as other industry stakeholders.

During 2002, there were no changes in the Board structure. The Board held ten meetings during the year. Board members also spent numerous

days attending various committee meetings, as well as maintaining contact with local milk producers and industry organizations. In an effort to further increase communications with milk producers, the number of district meetings was doubled. In addition to the regular six spring meetings, another six meetings were held in the fall of 2002. Because of the number of fast-moving changes occurring in the industry, the Board considered it vital that producers be kept informed on a more frequent and regular basis.

These meetings provided producers with information on current issues regarding Western Milk Pooling, Multiple Component Pricing, quota policies, quota swapping and other issues the dairy industry should consider. The information obtained from these meetings assisted the Board and Advisory Committees in developing the appropriate policies and procedures for Saskatchewan's dairy industry.

Board members, and other industry representatives attended four meetings of the Canadian Milk Supply Management Committee. A most significant activity was to strengthen and test the methodology used to forecast future supply and demand circumstances so that the domestic supply management system can respond more quickly to changing market circumstances.

During 2002, the Board's Western Milk Pool Coordinating Committee participated in five meetings. Together, the Western Milk Pool provinces negotiated and implemented a new business arrangement with Saputo Inc. to ensure producers have a Plant of Last Resort to absorb surplus milk in return for a guaranteed supply of high quality milk for the processor.

Over the past year communications with producers have received a high priority to address the broad range of changes regarding producers. It has been especially important to keep producers abreast of developments and to respond to inquiries as the industry adjusts to new quotas, pricing and World Trade Organization rulings. The Saskatchewan Milk Control Board's monthly newsletter is a publication that strives to provide information in a timely and concise manner. It serves to keep stakeholders informed of developments pertaining to marketing and other issues. Feedback indicates that this has been effective in improving the communication link between the Board and producers.

In addition to the use of traditional communication vehicles, the Board developed and operates a website to serve as a means to further strengthen communications with the industry's many stakeholders.

The Board gratefully acknowledges the contributions of Industry Advisory Committee members, and is indebted for the advice, support and cooperation extended to it by all sectors of the dairy industry.

At year end, there were six people on the Board's permanent staff. The Board wishes to thank all of the staff for their hard work and loyalty during another very busy year.

LEGISLATION

The pricing of milk for fluid purposes is a Board responsibility. The Board's primary objective is to provide efficient producers and processors with a fair return to labour, management and investment. The Federal Government has jurisdiction over the industrial milk pricing, administered through a federal-provincial agreement known as the National Milk Marketing Plan.

Special Milk Classes were established on August 1, 1995, to provide milk to other food processors and exporters at competitive prices, consistent with Canada's commitment under the trade agreements. The Special Class Pooling Agreement now includes all ten participating provinces. Prices of Special Class Milk components are uniformly adjusted across the ten provinces on a regular basis.

BOARD FINANCES

Financing of the operation of the Board was derived from assessment fees levied on producers and processors, processor license fees and interest on investments.

THE MILK CONTROL BOARD OF SASKATCHEWAN, MANAGEMENT REPORT 2002

The management of The Milk Control Board of Saskatchewan is responsible for the integrity of the accompanying financial statements and all other information in this Annual Report. It is the responsibility of management to prepare financial statements in accordance with generally accepted accounting principles in Canada.

The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

The financial statements have been audited by the Provincial Auditor of Saskatchewan. The report to the Members of the Legislative Assembly, stating the scope of the examination and opinion on the financial statements, appears on the following page.

The financial statements have been examined and approved by the Board.

Gerry Gartner
Chief Executive Officer
Regina, Saskatchewan
February 21, 2003

J.A. Frass
Administrative Officer

MILK CONTROL BOARD

FINANCIAL STATEMENTS

For the Year Ended December 31, 2002

Provincial Auditor Saskatchewan

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S4P 3V7

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Milk Control Board as at December 31, 2002 and the statements of revenue, expenses and net assets, and cash flows for the year then ended. The Board's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
February 21, 2003

Fred Wendel, CMA, CA
Provincial Auditor

MILK CONTROL BOARD
BALANCE SHEET
As at December 31

	2002	2001
ASSETS		
Cash	$ 846,813	$ 1,476,427
Accounts receivable	6,874,575	7,557,511
	7,721,388	9,033,938
Capital assets (Note 3)	8,638	14,164
	$ 7,730,026	$ 9,048,102
LIABILITIES AND NET ASSETS		
Accounts payable	$ 7,542,613	$ 8,826,115
Net assets (Statement 2)	187,413	221,987
	$ 7,730,026	$ 9,048,102

(See accompanying notes to the financial statements)

MILK CONTROL BOARD
STATEMENT OF REVENUE, EXPENSES AND NET ASSETS
Year Ended December 31

	Budget 2002 (Note 6)	Actual 2002	Actual 2001
Revenue:			
Milk sold to processors	$124,169,000	$128,137,323	$119,047,828
Milk Pools (Note 4)	(1,900,000)	3,866,359	5,248,707
Milk Pool administration and assessment fees	685,356	709,573	687,460
Interest	57,200	51,309	93,128
Milk quality penalties	113,000	114,888	112,687
Licence fees and miscellaneous	3,525	2,897	4,277
	123,128,081	132,882,349	125,194,087
Expenses:			
Milk purchased from producers	122,269,000	132,003,683	124,296,535
Salaries	340,000	343,643	331,373
Milk pool administration expense	123,500	114,576	123,187
Disposal of unsaleable milk	70,000	107,817	79,994
Travel, sustenance and vehicle expense	108,000	101,157	110,122
Rent	58,000	55,014	49,090
Legal	40,000	53,039	24,089
Employee benefits	47,200	47,872	44,058
Honoraria	47,000	43,112	49,621
Administrative expense	49,000	34,208	45,107
Cost of production study	13,000	7,276	27,814
Amortization	5,500	5,526	5,937
	123,170,200	132,916,923	125,186,927
(Deficit) Surplus for the year	$ (42,119)	(34,574)	7,160
Net assets, beginning of year		221,987	214,827
Net assets, end of year - to Statement 1		$ 187,413	$ 221,987

(See accompanying notes to the financial statements)

MILK CONTROL BOARD
STATEMENT OF CASH FLOWS
Year Ended December 31

	2002	2001
Cash Flows From Operating Activities:		
Cash receipts from customers	$ 133,513,728	$123,875,706
Cash paid to suppliers and employees	(134,158,249)	(123,622,985)
Other	14,907	46,416
Net (decrease) increase in cash during the year	(629,614)	299,137
Cash position, beginning of year	1,476,427	1,177,290
Cash position, end of year	$ 846,813	$ 1,476,427

(See accompanying notes to the financial statements)

MILK CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2002

1. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

a) Capital Assets

Office furniture and equipment is recorded at cost less accumulated amortization.

Office furniture and equipment is amortized over its estimated useful life using the straight-line method at 20% per annum.

b) Accounts Receivable and Accounts Payable

These financial instruments are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value of these financial instruments approximates fair value.

2. Incorporation

The Milk Control Board (Board) is continued as a body corporate under *The Milk Control Act, 1992* (Act). The Board has authority to make any regulations or orders in connection with the production, supply, distribution and sale of milk.

The Board is responsible under the Act for the control and regulation of the marketing of milk in the Province. In fulfilling this responsibility, the Board operates a milk pooling system whereby the Board purchases all milk produced in the province and sells it to processors. The Board's agent, Agrifoods International Cooperative Limited, administers the necessary collections and payments. The purchase price paid by the Board is based on the quality and quantity of milk shipped by producers and on the value of milk sold to processors. The value of milk sold to processors is determined by its final product use and prices established by the Board.

3. Capital Assets

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Office furniture and equipment	$50,388	$41,750	$8,638	$ 14,164

4. Milk Pools

Effective August 1, 1995 (and continued August 1, 2000), the Board entered into an arrangement with its counterparts in Prince Edward Island, Nova Scotia, New Brunswick, Newfoundland (effective August 2001), Quebec, Ontario, Manitoba, Alberta, and British Columbia and the Canadian Dairy Commission (CDC). This arrangement provides for pooling of revenues from sales of milk components in industrial and special classes of milk sold in domestic and external markets. CDC administers the Industrial and Special Class Pool.

Effective March 1, 1997, the Board entered into an arrangement with its counterparts in British Columbia, Alberta and Manitoba and CDC. This arrangement provides for pooling of all revenues from sales of Fluid Milk and Industrial Milk, including special classes, by producers to processors in the four western provinces. The purpose of the arrangement is to pool producer returns as if the western provinces constituted a single market. CDC administers the Western Milk Pool.

Based on each province's monthly utilization, CDC will either distribute a portion of, or require a contribution to, the Industrial and Special Class Pool and Western Milk Pool.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Board by virtue of common control or significant influence by the Government of Saskatchewan.

Routine operating transactions with related parties are recorded at the standard rates charged by those organizations and are settled on normal trade terms. These transactions are as follows:

	2002	2001 (restated)
Various expenses	$ 89,069	$ 90,583

In addition, the Board pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

6. Budget

The budget for the 2002 year was approved by the Board on February 5, 2002.

SASKATCHEWAN MILK CONTROL BOARD

TABLE III (Unaudited)

TOTAL WHOLE MILK REQUIREMENTS, NUMBER OF MILK PRODUCERS AND AVERAGE DAILY PRODUCTION 2001-2002 (KG)

MONTH	YEAR	WHOLE MILK REQUIREMENTS	TOTAL PRODUCTION	NUMBER OF PRODUCERS	DAILY AVERAGE PER PRODUCER
January	2001	6,968,660	18,129,075	359	1,629
	2002	**7,085,652**	**18,725,575**	**332**	**1,819**
February	2001	6,268,117	16,610,278	358	1,657
	2002	**6,183,350**	**17,128,328**	**332**	**1,843**
March	2001	7,255,778	18,536,047	357	1,675
	2002	**6,907,201**	**19,057,843**	**329**	**1,869**
April	2001	6,706,628	17,934,119	351	1,703
	2002	**6,909,805**	**18,438,566**	**328**	**1,874**
May	2001	6,997,279	18,694,086	348	1,733
	2002	**6,873,368**	**19,017,510**	**325**	**1,888**
June	2001	6,578,642	18,154,174	345	1,754
	2002	**6,189,121**	**18,256,258**	**324**	**1,878**
July	2001	6,386,233	18,518,837	345	1,732
	2002	**6,426,570**	**18,144,533**	**319**	**1,835**
August	2001	6,825,968	17,977,495	337	1,721
	2002	**6,780,386**	**18,255,755**	**318**	**1,852**
September	2001	6,617,229	17,307,484	338	1,707
	2002	**6,589,077**	**17,088,844**	**316**	**1,803**
October	2001	6,916,832	17,578,617	338	1,678
	2002	**7,138,051**	**17,362,024**	**315**	**1,778**
November	2001	6,948,178	17,188,268	334	1,715
	2002	**6,774,080**	**16,939,714**	**313**	**1,804**
December	2001	7,085,529	18,214,600	333	1,764
	2002	**6,915,911**	**17,967,284**	**311**	**1,864**
TOTALS	2001	81,555,073	214,843,080	345	1,705
	2002	**80,772,572**	**216,382,234**	**322**	**1,842**
% Change		-0.96	+0.72	-6.78	+ 8.04

SASKATCHEWAN MILK CONTROL BOARD

TABLE IV (Unaudited)

TOTAL KILOGRAMS OF BUTTERFAT SHIPPED IN SASKATCHEWAN BY MONTH AND DAIRY YEAR

Month	1997/98	1998/99	1999/00	2000/01	2001/02
August	633,340	597,282	621,698	628,363	611,180
September	623,199	600,376	613,031	626,826	610,121
October	649,227	628,317	643,445	654,091	646,263
November	622,716	610,613	625,326	631,687	635,933
December	644,142	634,519	656,079	662,062	663,513
January	646,282	644,745	667,328	662,932	670,534
February	588,522	592,902	626,629	605,009	608,621
March	667,114	662,506	670,459	674,304	680,624
April	641,526	637,674	653,353	648,820	654,281
May	652,221	658,346	669,913	657,322	669,209
June	615,554	624,687	639,230	626,199	625,588
July	604,806	632,366	638,573	633,859	614,202
Total	**7,588,649**	**7,524,333**	**7,725,064**	**7,711,474**	**7,690,069**

SASKATCHEWAN MILK CONTROL BOARD

TABLE V (Unaudited)

TOTAL SALES OF MILK & CREAM IN LITRES BY SIZE OF CONTAINERS JANUARY 1, 2002 - DECEMBER 31, 2002

SIZE OF CONTAINERS	YEAR	FLUID MILK PRODUCTS	% OF TOTAL	CREAM	% OF TOTAL	TOTAL ALL PRODUCTS	% OF TOTAL
20 LITRES	2001	183,420	.24	-----	----	183,420	.23
	2002	**78,720**	**.10**	-----	----	**78,720**	**.10**
15 LITRES	2001	925,245	1.20	-----	----	925,245	1.16
	2002	**877,230**	**1.16**	-----	----	**877,230**	**1.11**
10 LITRES	2001	34,490	.05	308,860	10.26	343,350	.43
	2002	**16,660**	**.02**	**429,340**	**13.32**	**446,000**	**.57**
4 LITRES	2001	41,959,212	54.54	------	----	41,959,212	52.49
	2002	**43,732,508**	**57.92**	------	----	**43,732,508**	**55.54**
2 LITRES	2001	25,571,942	33.24	------	----	25,571,942	31.99
	2002	**23,046,342**	**30.52**	------	----	**23,046,342**	**29.27**
1 LITRE	2001	5,679,727	7.38	727,175	24.16	6,406,902	8.01
	2002	**5,341,754**	**7.07**	**798,586**	**24.78**	**6,140,340**	**7.80**
500 ML.	2001	1,325,683	1.72	1,145,132	38.05	2,470,815	3.09
	2002	**1,263,432**	**1.67**	**1,185,059**	**36.77**	**2,448,491**	**3.11**
475 ML.	2001	------	----	-----	----	-----	----
	2002	**245**	**.00**	-----	----	**245**	**.00**
400 ml	2001	19,935	.03	------	----	19,935	.02
	2002	**19,639**	**.03**	------	----	**19,639**	**.02**
375 ML.	2001	4,448	.01	------	----	4,448	.01
	2002	-----	----	------	----	-----	----
350 ML	2001	-----	----	-----	----	-----	----
	2002	**1,521**	**.00**	-----	----	**1,521**	**.00**
250 ML.	2001	1,132,171	1.47	167,474	5.57	1,299,645	1.63
	2002	**1,047,253**	**1.39**	**158,058**	**4.90**	**1,205,311**	**1.53**
200 ml	2001	1,625	.00	------	------	1,625	.00
	2002	**6,453**	**.01**	------	------	**6,453**	**.01**
120 ML.	2001	71,523	.09	------	------	71,523	.09
	2002	**62,785**	**.08**	------	------	**62,785**	**.08**
CREAMETTES	2001	19,384	.03	660,718	21.96	680,102	.85
	2002	**16,644**	**.02**	**651,902**	**20.23**	**668,546**	**.85**
TOTALS	2001	76,928,805	100.00	3,009,359	100.00	79,938,164	100.00
	2002	**75,511,186**	**100.00**	**3,222,945**	**100.00**	**78,734,131**	**100.00**

SASKATCHEWAN MILK CONTROL BOARD

TABLE VI (Unaudited)

PROVINCIAL AVERAGE BUTTERFAT, PROTEIN AND SOLIDS NON-FAT TESTS BY MONTH 2001 - 2002

MONTH	YEAR	BUTTERFAT	PROTEIN	SOLIDS NON-FAT
January	2001	3.6567	3.2664	5.5657
	2002	**3.5808**	**3.2597**	**5.5704**
February	2001	3.6424	3.2573	5.5883
	2002	**3.5534**	**3.2426**	**5.5591**
March	2001	3.6382	3.2418	5.5798
	2002	**3.5712**	**3.2546**	**5.5576**
April	2001	3.6178	3.2119	5.5897
	2002	**3.5484**	**3.2199**	**5.5763**
May	2001	3.5162	3.1629	5.5876
	2002	**3.5189**	**3.2023**	**5.6010**
June	2001	3.4493	3.1518	5.5683
	2002	**3.4267**	**3.1488**	**5.6013**
July	2001	3.4228	3.1288	5.5545
	2002	**3.3851**	**3.1069**	**5.6133**
August	2001	3.3997	3.1261	5.5306
	2002	**3.4423**	**3.2155**	**5.5865**
September	2001	3.5252	3.2871	5.5141
	2002	**3.5499**	**3.3054**	**5.5451**
October	2001	3.6764	3.4037	5.5340
	2002	**3.7202**	**3.3658**	**5.5360**
November	2001	3.6998	3.3676	5.5200
	2002	**3.7190**	**3.3371**	**5.5426**
December	2001	3.6427	3.3317	5.5433
	2002	**3.6702**	**3.2765**	**5.5539**
Weighted ave	2001	3.5726	3.2433	5.5565
Tests	**2002**	**3.5555**	**3.2431**	**5.5708**
% Change		-0.48	-0.01	+0.26

SASKATCHEWAN MILK CONTROL BOARD

TABLE VII (Unaudited)

SCHEDULE OF BASIC TRANSPORTATION CHARGES BASED ON PRODUCER MONTHLY PRODUCTION

KG PRODUCED MONTHLY	2001	FEB 1/2002
Less than 9,000	$1.39	$1.42
9,001 - 13,600	1.36	1.39
13,601 - 18,100	1.33	1.36
18,101 - 22,600	1.29	1.32
22,601 - 27,200	1.27	1.30
27,201 - 31,700	1.25	1.28
31,701 - 36,200	1.24	1.27
36,201 - 40,800	1.23	1.26
40,801 - 45,300	1.21	1.24
45,301 - 49,900	1.19	1.22
49,901 - 54,400	1.18	1.21
54,401 - 58,900	1.16	1.19
58,901 - 63,500	1.15	1.18
63,501 - 68,000	1.13	1.16
68,001 - 72,600	1.11	1.14
72,601 - 77,100	1.10	1.13
77,101 - 81,600	1.09	1.12
81,601 - 96,600	1.03	1.06
96,601 - 111,600	1.01	1.03
111,601 - 126,600	0.99	1.01
126,601 - 141,600	0.97	0.99
141,601 - 156,600	0.95	0.97
156,601 - over	0.93	0.95

Distance to be based on the air kilometres between the producer and a point determined by the Milk Control Board.
Haulage rate based on kilometres plus volume formula.
A kilometre rate of 1.70 cents (.0170) per kilometre per 100 kilograms.

SASKATCHEWAN MILK CONTROL BOARD

THE MILK CONTROL BOARD, 2002 PERSONAL SERVICES (unaudited)

Listed are individuals excluding unionized employees, who received payments for salaries, taxable benefits, honoraria, travel, etc., which totalled $2,500 or more.

	Salaries & Taxable Benefits	Travel	Total
Staff			
Gerry Gartner	$101,895.00	$25,967.49	$127,862.49
Jerry A. Frass	62,913.00	810.61	63,723.61
Mary Ann Costron	49,953.00	794.88	50,747.88
Unionized Employees	129,331.35	4,171.79	133,503.14
Sub Total	$334,092.35	$31,744.77	$375,837.12
	Honoraria	**Travel**	**Total**
M.C.B. Members			
Shelley Slykhuis (Chair)	$ 16,685.00	$ 23,713.21	$ 40,398.21
Henry Friesen	7,595.00	10,370.08	17,965.08
Leonard Blocka	4,882.50	11,103.02	15,985.52
David Christensen	3,255.00	2,918.92	6,173.92
Lee Ann Tessier	3,177.50	2,749.30	5,926.80
Sub Total	$ 35,595.00	$ 50,854.53	$ 86,449.53
Dairy Industry Committee			
Leo Bertoia	$ 1,007.50	$ 3,928.05	$ 4,935.55
Ian Phillips	1,588.75	1,885.50	3,474.25
Other	$ 4,921.25	$ 7,712.23	$ 12,633.48
Sub Total	$ 7,517.50	$ 13,525.78	$ 21,043.28

Supplier Payments:

Listed are payees who received $20,000 or more for providing goods and services including office supplies, advertising, contracts, legal, equipment, etc.

Producer Expenses		$ 132,003,682.98
Unsaleable milk	milk below national quality standards	107,817.20
Dairyland Fluid Division	producer payment services	69,676.14
Balfour Moss	legal services for the Board	53,038.82
SREIT (NCO) Building Ltd.	office rent and parking	42,038.76
Agriculture, Food & Rural Revitalization	milk component testing	33,600.00
Wheatland Accounting	accounting service for Cost of Production	32,537.00
Payees under $20,000		91,202.27
Sub Total		$ 132,433,593.17

GRAND TOTAL	$387,204.85	$ 96,125.08	$ 132,916,923.10